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April 20, 2005

memorandum

To

Sunnyvale Redevelopment Agency, Amy Chan, Robert Paternoster, Joan Borger

From

Goldfarb & Lipman, Lee C. Rosenthal

RE

Town Center Transfer Transactions

We have prepared this memo at the request of Bob Paternoster and Joan Borger to inform you of our review of the documents for the transfer of the various Town Center mall interests and properties.

When Lehman and Fourth Quarter Properties XILVII ("Fourth Quarter") informed the Agency of the transfer transaction, we requested that Lehman and Fourth Quarter provide us with the documentation concerning the transaction. That documentation was promptly provided and we have reviewed it. What follows is a brief explanation of the transactions.

As you know Sunnyvale, LLC has owned most of the mall, with the exception of the parking structures owned by the Agency, and the Macy's, Target, Penney's, and WHL parcels. Sunnyvale, LLC is bankrupt. Pursuant to the Sunnyvale, LLC bankruptcy reorganization plan, Lehman had the right to purchase Sunnyvale, LLC's mall property. As you also know, Lehman has been the owner of Fourth Quarter and it was Fourth Quarter who had entered into the Disposition, Development and Owner Participation Agreement ("DDOPA") with the Agency for redevelopment of the mall property.

Pursuant to the Sales Contract between Lehman and Thomas Acquisition Corporation (owned by Stanley Thomas), and a Transfer and Assignment Agreement among Lehman, Thomas Acquisition Corporation and Stanley Thomas:

- Lehman agreed to sell its ownership interest in Fourth Quarter to Stanley Thomas.
- Lehman agreed to sell its right to purchase the Sunnyvale, LLC mall property to Fourth Quarter.

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- Lehman agreed to sell the two properties it owns in the mall (former Penny's and former WHL parcels) to Fourth Quarter.

The transactions contemplated by the Sales Agreement and Transfer and Assignment Agreement were consummated on April 1, 2005 resulting in the following transfers and conveyances:

- Lehman transferred its ownership interests in Fourth Quarter to Stanley Thomas.
- Sunnyvale, LLC deeded its property in the mall to Fourth Quarter.
- Lehman deeded its property in the mall (Penny's and WHL parcels) to Fourth Quarter.

As a result of these transfers and conveyances:

- Stanley Thomas owns Fourth Quarter
- Fourth Quarter owns all of the mall property except for the portions owned by the Agency, Macy's and Target.

With regard to the DDOPA with the Agency, Fourth Quarter is the signatory to the agreement and obligated to perform the obligations of the "Developer" under the DDOPA. As part of the transaction, Fourth Quarter, in its new incarnation under the ownership of Stanley Thomas, expressly assumed Fourth Quarter's obligations to the Agency under the DDOPA.

Lehman financed approximately 95% of the purchase price that was paid to purchase the various acquired assets. The balance of the purchase price must be paid by May 22, 2005. The Fourth Quarter note evidencing the balance of the purchase price is secured by a deed of trust in favor of Lehman on all the mall property that Fourth Quarter now owns. The note is personally guaranteed by Stanley Thomas.